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RUCPDOC/DEPT OF COMMERCE WASHINGTON DC
RHEFDIA/DIA WASHINGTON DC
RHMCSSU/FBI WASHINGTON DC
RHMFISI/HQ USCENTCOM MACDILL AFB FL
RUEKJCS/JOINT STAFF WASHINGTON DC
RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC
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S E C R E T SECTION 01 OF 03 KABUL 001006

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DEPT FOR SCA/FO FOR DAS GASTRIGHT, SCA/A, SCA/RA, SCA/PB,
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DEPT PASS AID/ANE
DEPT PASS OPIC FOR MOSBACHER AND ZAHNISER
TREASURY FOR LMCDONALD, ABAUKOL, AND JCIORCIANI
NSC FOR HARRIMAN
OSD FOR BREZINZSKI

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TAGS: EFIN ECON PGOV PINS KCRM AF

SUBJECT: BANK SECURITY UPDATE - CRIME IS A GROWING PROBLEM
FOR BUSINESS

REF: KABUL 247

Classified By: ADCM Carol Rodley for reason 1.6X1

1.(SBU) SUMMARY: In response to a request from the Afghanistan Banks' Association, the Embassy is setting up a meeting between bankers and Deputy Interior Minister Khalid to discuss a more aggressive police investigation of continuing wave of bank and bank customer robberies. Because the banks do not believe Khalid responded to a previous request for improved security, they have asked EMBOFFS and CSTC-A mentors to participate in the discussion. The banks have a long list of requests to present to the Deputy Minister including briefing the banks on the status of the robbery investigations, improved security for banks, treatment of bank managers and staff with respect, and issuance of a joint press statement that the perpetrators will be identified, arrested and brought to justice. Embassy law enforcement officials and CSTC-A mentors are working with criminal investigators to improve their skills. Two major robberies occurred in March. It is possible that in the two robberies of USAID contractor FINCA, USG funds were stolen. Two key commercial banks are operating without insurance, and we do not know how long shareholders will be willing to assume this risk. Standard Chartered Bank, the Embassy's primary local financial institution, has indicated that it is prepared to pull out of Afghanistan if the security situation does not improve. If that happens, we believe others will follow, producing negative press coverage of Afghanistan and inducing a major downturn in investor confidence.
END SUMMARY.

2.(SBU) In February, the Afghanistan Banks Association sent a letter to the Embassy officially requesting U.S. intervention with the Ministry of Interior with respect to the investigation of a series of bold, daylight bank robberies of cash in transit shipments. The largest heist was the \$3

million stolen from Standard Chartered Bank in January (reftel). Just prior to receipt of the letter, FINCA, an NGO implementing USAID's ARIES microfinance project, was robbed in Kabul. Previously, its branch in Herat was also a robbery victim. The money stolen was cash transferred from FINCA's head office to the branch offices for loan disbursements. USAID's ARIES project is a principal provider of capital to FINCA, so it is possible that USG funds were stolen in these two robberies.

3.(SBU) This month, a customer who had withdrawn \$80,000 from his Central Bank account was robbed on the street. In response, the police immediately swooped into the Central Bank and arrested the teller who had served the customer and his manager. The Central Bank Governor protested the actions of the police to no avail. Additionally, we have heard that the China Railways office in Kabul was also robbed this month.

4.(SBU) The banks primary complaint is that the GOA has not responded professionally to the robberies. Instead of collecting evidence that leads to identifying the criminals, the police have concentrated their efforts on interrogating the victims. FINCA's Herat management was incarcerated, and the two expatriate managers of FINCA's Kabul branch departed the country immediately after the robbery to avoid arrest. The police reportedly arrived at FINCA's Kabul establishment ten minutes after the event and demanded to know why FINCA had not called the police or arranged for the police to protect the cash shipment that was stolen. Standard Chartered related that the police behaved in a similar fashion after the January robbery of its cash transfer. Bank managers described a similar modus operandi during the thefts;

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the traffic police stopped traffic at a major intersection, except for the cash in transit vehicles and the vehicles of the thieves. Once the robbery was committed and the thieves made their getaway, the traffic police allowed vehicles to resume movement, effectively preventing pursuit.

5.(SBU) Bank managers report that they have been verbally advised that the private security firms they have hired may not carry weapons to protect these shipments. Most banks have also been approached by senior Interior Ministry officials offering "their" police officers, who are authorized to carry weapons, as private security guards. In light of these circumstances, the banks see the robberies as shakedowns for the institutions to hire MOI staff as security guards for cash-in-transit shipments.

6.(S/NF) According to OGA, the most likely suspects in these cases are former Kabul police chief Amanullah Gozar and General Din Muhammad Jurat, a relative of Central Bank Governor Delawari. According to UNAMA, the Kabul police force is currently dominated by criminal elements linked to Gozar, and there is resistance within the Ministry of Interior to efforts by Kabul's new police chief to break these links. Although appointed to be Deputy Trade Commissioner to Dubai, Gozar is reportedly staying in Parwan province with some of his guards. In the February Strategic Partnership Prosperity Working Group Discussion, General Yarmand, the head of MOI's CID, said that there are three gangs of thieves operating in and around Kabul, but did not indicate in any way that the police are seeking to apprehend the criminals.

7.(SBU) Central Bank Governor Delawari has indicated that insurance companies are beginning to review their risk posture with respect to the policies they have issued to banks operating in Afghanistan. We understand that both First MicroFinance Bank and Afghanistan International Bank are both operating without insurance. It is not clear how long their shareholders will be willing to risk their investments without appropriate insurance coverage. Banks CEOs have also indicated that higher cost and higher risk can

only push interest rates higher, a situation that would not be conducive to investment.

8.(SBU) Acting on the Ambassador's instructions, the Embassy and CSTC-A have developed a two-track approach to respond to the banks' request for assistance. At the working level, Embassy law enforcement officials and CSTC-A mentors are working with police to raise the level of the quality of their investigations. Diplomatically, Deputy ECON Counselor met with the Banks' Association board to identify specific actions they would request the Ministry of Interior to take to improve the banks' security situation. They include the following:

- a written report on the progress of the investigation of the bank robberies;
- provision of a reasonable level of security for bank premises and activities;
- in the absence of a law on private security agencies, legally registered security services should be authorized to carry weapons;
- as taxpayers and contributors to economic growth, policemen should treat banks and their staff should with respect;
- that a joint press statement condemning the robberies and expressing determination to apprehend the criminals should be issued after a meeting between the Deputy Minister of Interior Khalid and bank managers.

The Embassy intends to arrange this meeting in early April.

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In addition to Deputy Interior Minister Khalid and the banks, this meeting will be attended by Central Bank First Deputy Governor Ibrahimi, ECON Counselor, Treasury Attaché, a U.K. diplomat (tbd), and CSTC-A mentors. The banks requested wider attendance because a meeting with Khalid in the fall of 2006 produced no results.

9.(SBU) COMMENT: Standard Chartered, the only western bank operating here, has made it clear that it is considering withdrawal. If it were to leave, the political, economic, and operational repercussions would be significant and highly negative. The press would certainly highlight its departure as another symbol of impending failure. We would anticipate that other banks would leave, and both OPIC and USAID would need to re-evaluate their micro-financing and SME lending programs. Access to credit is a major impediment to investment and job creation in this economy. A contraction of the financial sector would have negative and long-term implications for both and therefore the length of the war. Operationally, there are implications also for the program to pay soldiers and police directly through the banking system. If Standard Chartered leaves, the Embassy and its local staff will have to find a new bank. We hope that our engagement with senior Interior Ministry officials produces a more aggressive policy against criminal behavior and our training efforts to improve the professionalism of criminal investigators improves their ability to apprehend criminals.

END COMMENT.

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